

Message Text

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PAGE 01 ROME 07357 051911Z

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 TRSE-00 CEA-01 NSC-04

NSCE-00 INR-01 CIAE-00 SSO-00 INRE-00 /018 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 7397

C O N F I D E N T I A L ROME 7357

LIMDIS/GREENBACK

E.O. 11652: XGDS-1

TAGS: IT, EFIN

SUBJECT: PM MORO REQUESTS ADDITIONAL FINANCIAL ASSISTANCE UNDER
FED SWAP

1. PRIME MINISTER MORO RAISED WITH ME TODAY THE NEED FOR
PROMPT DECISIONS ON FURTHER FINANCIAL ASSISTANCE TO ITALY UNDER
THE SWAP ARRANGEMENT WITH THE FEDERAL RESERVE. MORO NOTED THAT
THE LIRA HAS CONTINUED TO FALL (912 EQUALED \$1.00 YESTERDAY),
DESPITE SUPPORT BY THE BANK OF ITALY, AND HE FEARS THAT IF IT
WILL CONTINUE TO FALL. APART FROM THE ECONOMIC EFFECTS, MORO
IS OBVIOUSLY GREATLY CONCERNED ABOUT THE POLITICAL EFFECT ON
THE POLITICAL CAMPAIGN DURING THE NEXT SIX WEEKS OF A CONTINUED
FALL OF THE LIRA. ACCORDINGLY HE ASKED THAT THE FEDERAL RESERVE
INCREASE THE EXISTING LINE OF CREDIT UNDER THE SWAP ARRANGEMENT
FROM 750 MILLION DOLLARS TO A TOTAL OF 1.5 BILLION DOLLARS. IN
ADDITION HE MENTIONED THE NEED FOR ASSURANCE THAT THE 500 MILLION
DOLLARS ALREADY PROVIDED UNDER THE SWAP ARRANGEMENT WOULD BE
EXTENDED FOR AN ADDITIONAL 90 DAYS. HE REPEATEDLY STRESSED THE
NEED FOR PROMPT DECISIONS ON THESE QUESTIONS.

2. WITHOUT COMMENTING ON TECHNICAL MERITS OF PROBLEM, FROM
A POLITICAL POINT OF VIEW I STRONGLY SUPPORT MORO'S REQUEST. VOLPE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, FINANCIAL RESERVES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAY 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ROME07357
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D760173-0371
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760588/aaaacxjw.tel
Line Count: 51
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 1
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 10 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 MAY 2004 by BoyleJA>; APPROVED <24 AUG 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PM MORO REQUESTS ADDITIONAL FINANCIAL ASSISTANCE UNDER FED SWAP
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006